

AGRICULTURE AND AGRI-FOOD MOVING *forward*



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THE GOVERNMENT OF CANADA'S ACHIEVEMENTS IN AGRICULTURE

- Expanding Trade And Investment
- Getting The Most Out Of Science And Technology
- Positioning The Grain And Livestock Sectors For Growth
- Defending The Supply Management System
- Investing In Security For Producers
- Improving Food Inspection
- Strengthening Farm And Rural Communities
- Protecting The Environment
- Improving Access To Programs and Services



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Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Canada

A MESSAGE FROM THE MINISTER

Canada's agriculture and agri-food industry is one of the most competitive in the world, and one of the most dynamic sectors of our economy. Growing in strength steadily over the years, our industry now contributes some eight per cent to Canada's Gross Domestic Product and is responsible for nearly 15% of all of Canada's employment. Our challenge today is to maintain this momentum – in an era of rapid economic change, new trade agreements, new technology, shifting global markets and changing consumer demands.

With a clear action-plan, hard work, and co-operation between food producers and processors, governments and industry, we have built a sector which is one of the best in the world. For Agriculture and Agri-Food Canada, this means investing wisely in activities that will help the industry increase trade, enhance productivity, improve efficiency, attract investment and promote sustainable growth.

Since 1993, the Government of Canada has launched significant changes to lay the foundations for further growth into the next century. Now industry and government are working together to build on that foundation – creating an economic climate which removes barriers to growth, expands our trading opportunities and encourages investors to place their confidence in Canada's future.

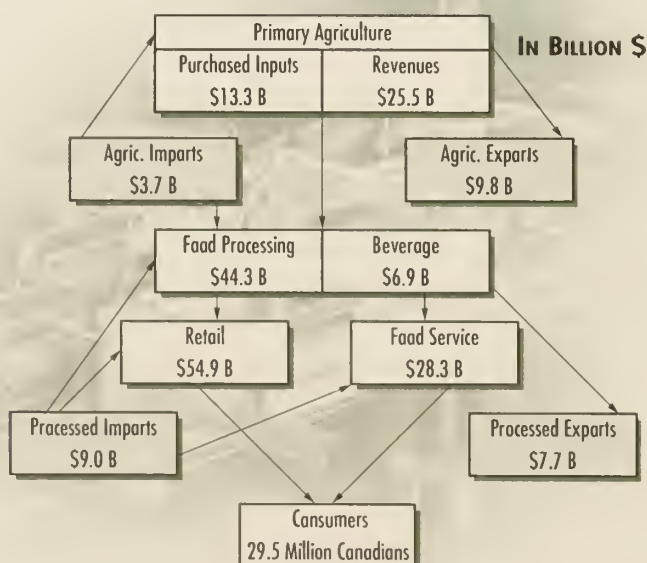
In the 1996 federal Budget my department identified key priorities for action. Round table meetings with farmers, farm organizations and agri-businesses across the country in 1995-96 culminated in consultations with our major stakeholders at a National Canadian Excellence conference last summer. We have taken action on the directions and priorities suggested. This report documents our progress.

It shows that – by working together – government and industry are reshaping the agriculture and agri-food sector in Canada, building a sector which will continue to contribute jobs and growth for Canadians for many years to come.

Ralph Goodale

A LOOK AT THE SECTOR

(1995 DATA)



Canada's agriculture and agri-food industry is one of the most competitive in the world, and one of the most dynamic sectors of our economy.

EXPANDING TRADE AND INVESTMENT

Sustainable growth for the agriculture and agri-food sector depends on its success in international markets. The industry itself has set a goal of increasing the sector's exports by 50 per cent between 1993 and the year 2000 – from about \$13 billion to at least \$20 billion.

Thanks to close cooperation between the Government of Canada and sector partners, industry is poised to not only reach this goal, but exceed it.

Agri-food exports for 1995 reached \$17.5 billion, with the first nine months of 1996 up nine per cent over the same period last year. In addition, there is an improving balance of trade in agri-food products which reflects, among other things, an improving trade balance in value-added products.

Here are the primary ways we have contributed to this remarkable success:

- Opening access to new markets through international trade negotiations;
- Providing the industry with simpler, more effective market information and support services;
- Working with partners to promote Canadian products abroad, including higher value-added processed products that appeal to consumers around the world.

Success is also reflected in an enhanced investment climate in Canada – giving Canadian agri-businesses the access to needed resources for world-scale production.

OPENING ACCESS TO NEW MARKETS

The Government of Canada has played a key role in this effort through international trade negotiations. The creation of the World Trade Organization (WTO) and other trade agreements have helped secure better access for producers and agri-businesses to world markets.

Working closely with sector partners is helping to capitalize on new opportunities arising from these agreements.

SUPPORTING EXPORTERS

Agriculture and Agri-Food Canada (AAFC) invests more than \$25 million annually in international business development. In 1995, along with Foreign Affairs and International Trade Canada, the department reorganized federal trade services into the Agri-Food Trade Service (ATS). ATS links the services of several federal departments and agencies to offer the agri-food industry fast, easy access to development programs, market information, trade opportunities, exporter counselling and support services.



Developed through a domestic Team Canada approach involving the department, industry and the provinces, the "new look" logo above promotes the quality image of Canadian products around the world.



Forging stronger links: A stylized crane whose wings evoke the Canadian maple leaf is the official logo of Canada's Year of Asia Pacific, which begins in January 1997.

Amy Ho, a first-year design student at Kwantlen University College in Richmond, B.C., created the image. The aim of the special year is to build on the strong trade and cultural ties that already exist between Canada and Asia. In 1995-96, our agri-food exports to the area amounted to more than \$4.4 billion.

A component of ATS is the Agri-Food Trade Network, an Internet site (<http://atn-riac.agr.ca>) of reports and trade contacts that provides market information and intelligence to help Canadian exporters capture new opportunities abroad. Users, mostly Canadian, access nearly 200 country market reports and trade intelligence at the site at the rate of 170 a day.

Through the Post Initiated Agri-Food Fund, Canadian agri-food specialists and trade commissioners in 50 international markets are now able to fund innovative export development projects that support Canadian exporters. In addition, Agri-Food Trade 2000 financial programs help clients increase sales through projects in areas such as expertise development, market awareness, technology adoption and product promotion.

And, there is also the \$1 billion in federal guarantees through the Agri-Food Credit Facility to help Canadian exports compete with the export credit programs of other countries.

PROMOTING CANADIAN PRODUCTS

Following the Prime Minister's very successful trade missions to key markets around the world, agri-food trade missions to China, South Korea, Mexico, South America, Japan, Singapore and Europe, led by Minister Goodale, have paid off in new sales and business opportunities for Canadian producers. The "Team Canada" approach behind these missions has demonstrated the effectiveness of government-industry partnerships in promoting Canadian exports.

To ensure a focus on efforts to get results most effectively, AAFC works closely with industry through Canada's International Business Strategy and the Agri-Food Industry Market Strategies (AIMS) with participants from 26 industry sectors and alliances.

Over the past few years, the department has also organized, funded or hosted some 149 incoming "buyer missions" from abroad to develop markets for Canadian agri-food products.



Promoting Canada's agri-food products at trade fairs is a key part of the government's strategy to help small and medium-sized agri-food businesses gain a foothold in export markets. In Paris, France, at SIAL, one of the world's largest food trade fairs, Canada's award-winning and gold-medal team leader, Chef Georges Chauvet, prepared eye-catching and mouth-watering Canadian dishes to dazzle foreign food editors and journalists and send them scurrying to highlight our products in their magazines.

INCREASING INVESTMENT

To compete in world markets, Canadian firms must be able to produce for world markets. In many cases, this ability depends on their success in attracting foreign investment.

The Government of Canada is aiming to make the agri-food sector the number one choice for investors around the world. Today, foreign direct investment in Canada's agriculture and agri-food sector tops \$12 billion, more than twice the level in 1984. The positive momentum underlying this trend is illustrated by the recent report of a fact-finding mission to Canada of senior Japanese executives who laud, among other things, the many "advantages" and "business possibilities" open to Japanese companies within the Canadian food processing sector.

GETTING THE MOST OUT OF SCIENCE AND TECHNOLOGY

New technologies are dramatically changing the way food is produced, processed, transported and distributed across Canada and around the world. Research and development related to leading edge technologies play a critical role in maintaining Canada's competitive advantage in the global marketplace.

The government is helping the Canadian agricultural and agri-food sector get the most from science and technology by:

- conducting high-risk, long-term research and development;
- supporting industry-led research and commercialization through the Matching Investment Initiative; and
- creating opportunities for young scientists.

RESEARCH AND DEVELOPMENT

Agriculture and Agri-Food Canada conducts world-class research aimed at improving the competitiveness of the Canadian food and agriculture sector. The focus of this research is on quality, safety and product competitiveness, on environmental practices that sustain agricultural production, and on developing technologies that add value to Canadian products.

The department operates a network of 18 centres across the country, each with a specialized research focus, reflecting industry strengths of the region where it is located. Every year, AAFC invests well over \$200 million in this vital work.

MATCHING INVESTMENT INITIATIVE

In addition, the government introduced the Matching Investment Initiative in 1995. Under this initiative, the department can match, one-for-one, industry contributions to collaborative research projects. Well into the second year, some 720 agreements were reached between the government and the private sector, representing research and development projects totalling more than \$42 million.

This program will continue to grow steadily to reach \$35.2 million in federal funding in 1998-99 – representing a total government-industry shared commitment that could reach over \$70 million if fully subscribed.

ENCOURAGING YOUNG SCIENTISTS

The government has also taken action to put the best young minds to work in the agriculture and agri-food sciences. Research projects under the Matching Investment Initiative create opportunities for young scientists to develop their skills and expertise while working with leading government and private sector scientists. The government continues to explore other options to gain leading edge expertise in this field.



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POSITIONING THE GRAIN AND LIVESTOCK SECTORS FOR GROWTH

To encourage greater economic growth and efficiency in the grain and livestock sectors, the government introduced grain transportation reforms. This included ending subsidies under the Western Grain Transportation Act on the Prairies and the Feed Freight Assistance subsidy to livestock producers outside the Prairies.

To help former subsidy beneficiaries to adapt to the new business environment, the Government of Canada is providing \$2 billion in adjustment funds over three years. Producers are using this money to invest in new business opportunities.

- Some \$ 1.6 billion was provided to help offset the impact of eliminating the WGTA subsidy.
- Beginning in 1995-96, \$300 million was made available to promote diversification and value-added growth through the Western Grain Transportation Adjustment Fund. This

includes about \$105 million to help offset changes in the freight cost pooling system; \$45 million to help alfalfa dehydration and compressed hay processors; and \$140 million to invest in agricultural infrastructure such as roads, water supply and treatment facilities.

- The government accelerated payment of \$72.6 million in adjustment funds upon termination of the Feed Freight Assistance (FFA) subsidy. In response to advice from the FFA Task Force, the government increased funding by \$10 million, and introduced a number of measures to speed up delivery of payments and restructure the allocation of funds. Delivery of the funds is now largely in the hands of the affected producers.
- The government set up a Western Grain Marketing Panel to advise on policies that foster economic growth. Responding to the Panel's report, the government has proposed changes to the Canadian Wheat Board Act and is holding a vote on western barley marketing. Other initiatives include addressing the future of government-owned hopper cars and legislation to reduce the impact of work stoppages in the grain industry on exports.
- The government has entered into partnerships with the Royal Bank to establish a \$30 million loan fund for western biotechnology, and with the Canadian Imperial Bank of Commerce and the Farm Credit Corporation to establish a \$100 million loan fund aiding western value-added agri-food growth.
- The government passed legislation to allow voluntary producer check-offs supporting wheat and barley research through the Western Grains Research Foundation.

DEFENDING THE SUPPLY MANAGEMENT SYSTEM

Supply management has served Canada well, providing producers with economic stability, and consumers with the safest and highest quality dairy and poultry products in the world.

This approach has been vindicated by the recent unanimous decision of this panel to uphold Canada's right to apply tariffs, established under the World trade Organization, to imports of certain U.S. agricultural products.

The Government of Canada remains committed to defending the country's system of supply management as an efficient, made-in-Canada tool for balancing diverse commercial, regional and consumer needs. The government held this position in all international trade negotiations, and has not wavered in the face of major challenges mounted by the United States through a NAFTA dispute panel.

This approach has been vindicated by the recent unanimous decision of this panel to uphold Canada's right to apply tariffs, established under the World trade Organization, to imports of certain U.S. agricultural products.

At the same time, as supply management is evolving with the times, the government is working closely with the dairy sector to establish a long term dairy policy to provide more security and predictability for the evolution of the sector to the year 2000 and beyond.

INVESTING IN SECURITY FOR PRODUCERS

The federal government has acted to ensure that Canada's farmers have the tools they need to adjust to market signals and become self-sufficient in managing risk. This will help to increase competitiveness in a changing environment.

- The government will contribute \$600 million annually to "whole farm" safety net programs.
- Safety net agreements have been signed or are nearing completion with all provinces, giving farmers three basic security tools.
- The Net Income Stabilization Account helps farmers put aside money in good times to use when income is low. Crop insurance will be enhanced to ensure a more effective national risk policy for crops. Province-specific companion programs will address the special regional needs and priorities of farmers.
- The Farm Improvement and Marketing Co-operatives Loans Act has been amended to double, (up to \$3 billion), the total dollar amount of loans which can be guaranteed by the federal government. This provides more funds for improvement projects such as acquiring additional breeding stock or more land, updating barns, fencing or irrigation, or finding better methods of waste disposal.

- The recently-introduced Agricultural Marketing Programs Act would provide interest-free cash advances to farmers to help them maintain control and flexibility in the uncertain business of farming. The new legislation will be in place for the 1997 crop year, replacing four Acts which governed previous cash advance programs.

IMPROVING FOOD INSPECTION

Canada has one of the best food inspection systems in the world. Consumers are confident the food they purchase is safe and wholesome. This reputation extends beyond our borders, helping Canadian exports gain access to markets around the world.

Examples of federal inspection activities:

- Monitoring the safety and quality of meats, eggs, dairy and processed products, fruits and vegetables.
- Verifying the quantity and composition of food products, and the accuracy of labels.
- Preventing the introduction of diseases and pests into Canada by, for example, quarantining imported animals.
- Certifying plants, animals and their products that Canadians export worldwide.
- Starting at the input level, regulating products such as feeds, seeds and fertilizers to promote the safety and quality of food, plants, animals and their products.
- The Government of Canada has provided some \$11 million to assist federally-registered businesses implement an internationally-recognized inspection systems, called

HACCP, which focusses through-out the food system rather than simply relying on inspection of the finished product.

- Better regulations that promote safety assessments of new crop lines derived from biotechnology before they are released into the environment.

A SINGLE INSPECTION AGENCY

The federal government is consolidating the food inspection and quarantine services of several different departments into a single organization, the Canadian Food Inspection Agency, which will be established in 1997. The agency will report to Parliament through the Minister of Agriculture and Agri-Food Canada.

Consumers and industry will all have a single federal contact for food inspection questions and concerns. Dealing with one federal agency will help Canadian companies improve their competitive position domestically and internationally.

This single agency will ensure smarter and more frugal use of resources. Starting in 1998-99, administrative overlap and duplication among departments will be eliminated to save \$44 million a year without compromising Canada's strong reputation for the quality and efficacy of its inspection systems.

CANADIAN FOOD INSPECTION SYSTEM

All levels of government are taking part in collaborative efforts to harmonize their food standards and inspection systems. The goal is to develop an integrated system – the Canadian Food Inspection System (CFIS) – which is responsive to both consumers and industry.

The CFIS implementation group, representing federal, provincial and municipal food inspection agencies, is managing this initiative. Significant progress has

already been achieved in developing a common legislative base, a National Dairy Code, and a National Sanitary and Phytosanitary Protocol. Work is now underway to establish a common regulatory framework, as well as Codes in areas such as meat, poultry and fish, food transportation and food retail establishments.



STRENGTHENING FARM AND RURAL COMMUNITIES

Strong rural communities are vital to the economic, social and cultural fabric of Canada. The federal government is working closely with communities across the country to help them adapt, diversify and develop new strengths for future generations.

Federal initiatives targeted to rural Canada:

- Establishment of a Rural Secretariat within Agriculture and Agri-Food Canada to coordinate the work of various federal departments and agencies to ensure that the goal of economic renewal of rural Canada is addressed effectively.
- Providing more and better access to communications technology, information and federal services. This will give rural entrepreneurs access to the same tools – computer networks, business centres and information – that are readily available in urban areas.

- The Canadian Adaptation and Rural Development Fund of \$ 60 million annually is being provided for national and local adaptation projects. The Fund fosters growth, employment, community development, diversification and rural partnerships.
- Establishing an enhanced financial review and mediation service for farmers, replacing the Farm-Debt Review Boards. The new service provides debt management assistance and support for diversification, expansion or restructuring of farm operations.
- The Farm Credit Corporation offers financing options for the growing business needs of conventional farmers and farmer-owned agricultural initiatives.
- Making more investment capital available to rural businesses through regional development agencies and the Business Development Bank of Canada.
- The Prairie Farm Rehabilitation Administration (PFRA) in partnership with other levels of government, farm groups, producers and industry works to protect prairie soils, develop and conserve water resources and encourage diversification into new crops, value-added processing and other opportunities.



- The Co-operatives Secretariat promotes a better understanding within the federal government of the co-operative model as a self-help mechanism for individuals and communities. New legislation to be introduced early this year will put co-operatives in a better position to carry on business operations and contribute to the economic growth of urban and rural communities across Canada.

AAFC is working to implement these initiatives in partnership with the agriculture and agri-food industry and rural communities.

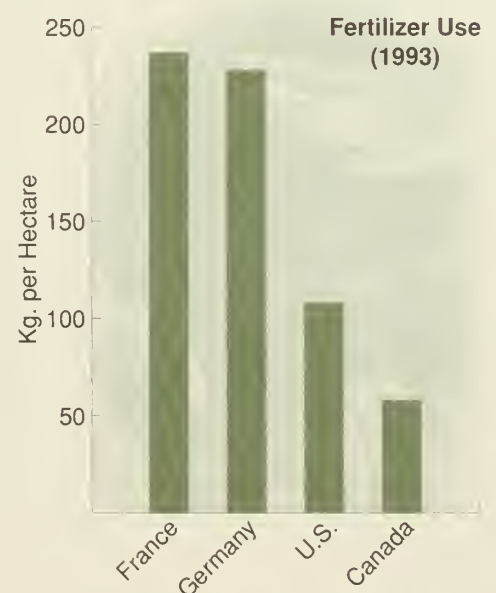
PROTECTING THE ENVIRONMENT

Environmental stewardship is critical to the long-term health and vitality of the agriculture and agri-food industry. The Government of Canada is working closely with partners and stakeholders to develop a sustainable development strategy for the sector, and to integrate sustainability objectives into all federal policies, programs and activities, and to address specific issues such as soil and water conservation. Government action has included:

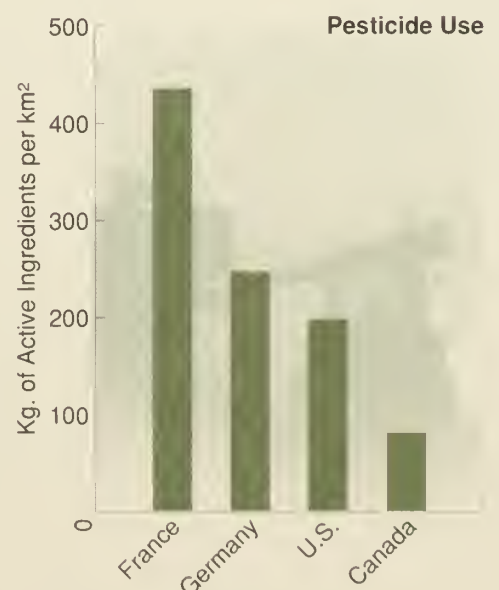
- New systems, technologies and practices that enhance the ability of producers to monitor and preserve soil, water and genetic resources, and to avoid the down-stream effects of agriculture on the environment.
- New adaptation programs and policies that enhance the sector's environmental sustainability and competitiveness; and, new environmental indicators to help track the sector's environmental performance.
- Strengthened capacity to conduct human health and environmental safety assessments of fertilizers and fertilizer supplements.

- More efficient use of rural water supplies, and promoting wildlife habitats and biodiversity through the Community Pastures Program and the Shelterbelt Centre of PFRA.
- Assisting the sector in capitalizing on market opportunities through environment-friendly initiatives in the area of food processing, distribution and food services.

CANADA USES LESS FERTILIZER AND PESTICIDES THAN MANY OTHER COUNTRIES



Source: OECD Environmental Data: Compendium 1995



Source: Latest available data in OECD Environmental Data: Compendium 1995

All parts of AAFC are working together to develop information and tools to make it easier for sector stakeholders to take environmental considerations into account in day-to-day decision making. Through this integrated approach, the department and the sector are maintaining Canada's strong reputation for environmental performance.

IMPROVING ACCESS TO PROGRAMS AND SERVICES

Agriculture and Agri-Food Canada (AAFC) is responding to the federal government's initiative to provide all Canadians, rural and urban alike, with access to information on the agri-food industry and information specific to rural Canada.

Agriculture and Agri-Food Canada's Electronic Information Service (ACEIS) offers easy one-stop access to reliable information about the department, new government legislation, innovative research and development projects, and the latest departmental publications. This service is available through a fax-on-demand service or through its Internet web site. As well, publications can be ordered easily by phone.

The Canadian Rural Information Service (CRIS) is a clearing house of rural information products and services, connecting rural clients with documents and publications, contacts, services and other information resources on a wide variety of economic social and environmental issues. CRIS is easily accessible by the Internet, fax and E-mail or by telephone and has a WWW site available on ACEIS.

AgriWeb Canada is a national directory of Canadian electronic resources in agriculture and agri-food. Users can find listing for library catalogues, Internet sites, newsgroups, bulletin boards and the latest electronic publications. Access to AgriWeb is available through ACEIS.

In addition, under the government's new Agri-Food Awareness Program, Canadians can become more aware of the importance of the whole agri-food industry in Canada and its contribution to the well-being of Canadians.

AAFC is also striving to make all federal government information accessible to Canadians, particularly to those outside urban centres. By working with other departments, a true single-window access to information on government programs and services is being created. Those interested but who do not have access to the Internet will be able to go to regional AAFC offices (MISB, PFRA) or public service points for other

departments and search out information spanning the government.

Access to accurate and timely information can give rural entrepreneurs the edge needed to formulate projects and skills in a more informed way. AAFC information services are a valuable tool in economic planning and decision making.

AAFC also provides an on-line service, the Agri-food Trade Network (ATN), which gives exporters and other stakeholders valuable market information and intelligence.

ACEIS CAN BE ACCESSED:

- On the World Wide Web at:
<http://www.ogr.ca>
- Telnet: www.agr.ca (login: guest)
- Electronic BBS
(14.4 Computer modem):
1-800-234-4410 or (613) 759-1100
- Fax-on-demand/Telephone:
1-800-234-2222 or (613) 759-6650
- ACEIS Help Desk:
1-800-410-7104

CANADIAN RURAL INFORMATION SERVICE:

c/o Susan Sherman, Reference Librarian
Telephone: (613) 759-7099
Fax: (613) 759-6643
e-mail: shermans@em.agr.ca
Internet: <http://www.ogr.ca/policy/cris>

AGRI-FOOD TRADE NETWORK

Internet: <http://atn-riae.agr.ca>


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